

PART ONE — ECONOMIC REVIEW AND OUTLOOK¹

First Quarterly Report 2002/03

September 2002

Overview

Since the February 19 budget, the economic outlook has improved. The U.S. and Canadian economies improved in the January to March quarter², and posted positive but slower growth in the April to June period. More recently, events in U.S. stock markets have introduced greater uncertainty to the outlook. However, in aggregate, the North American outlook for 2002 is more positive than at the time the budget was prepared.

In British Columbia, most economic indicators turned up in the first calendar quarter and continued that trend through the April to June period covered by this quarterly report. Externally, the U.S. softwood lumber duties clouded the turnaround in manufacturing shipments and merchandise exports. Domestically, housing starts and consumer spending continued to benefit from low interest rates and federal and provincial tax cuts.

Charts 1.1 and 1.2 compare recent private sector forecasts for British Columbia economic growth with those made at budget time. In February 2002, growth forecasts averaged 0.7 per cent for 2002 and 3.0 per cent for 2003. Since that time forecasts have improved, and private sector forecasts now average 1.9 per cent in 2002, while next year's outlook is unchanged. As with national projections, more recently developed forecasts have tended to be higher than those prepared in January or February.

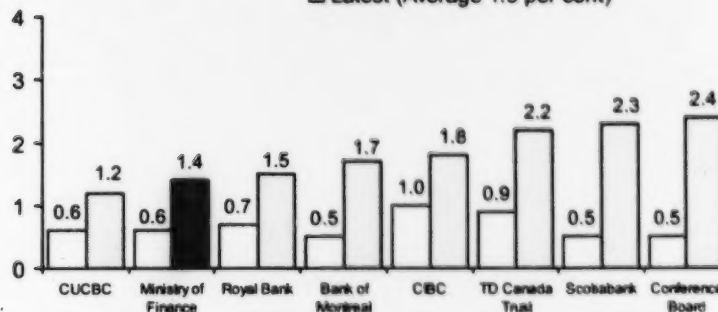
Chart 1.1 Evolution of 2002 growth forecasts for B.C.

2002 Forecasts

B.C. Real GDP

Per cent change

- As at Budget (Average 0.7 per cent)
- Latest (Average 1.9 per cent)

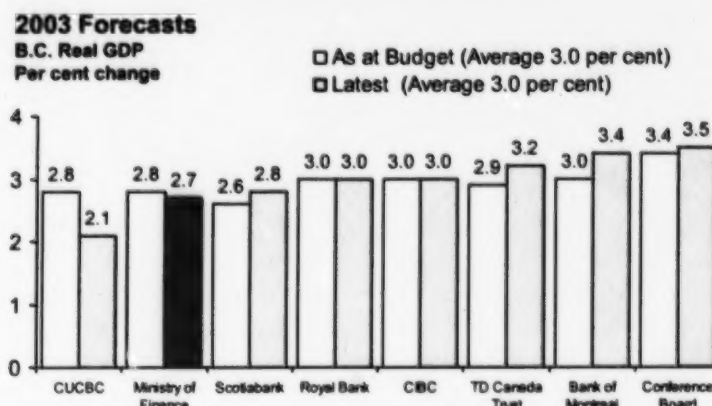


Sources: B.C. Ministry of Finance and various financial institutions.

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¹ The *Economic Review and Outlook* and accompanying charts and tables incorporate information available as of September 6, 2002.

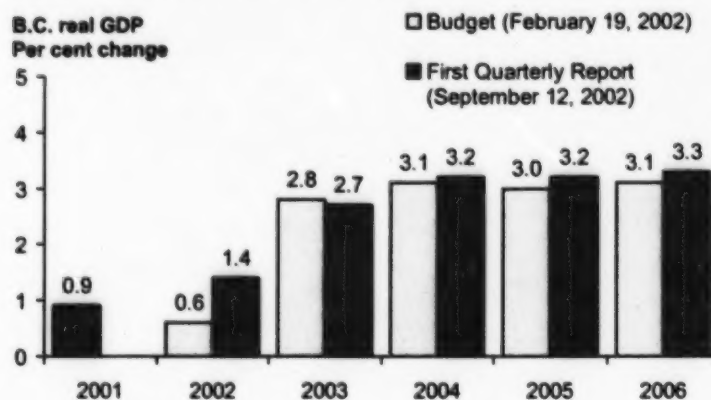
² In the *Economic Review and Outlook*, quarter references are to the calendar quarter.

Chart 1.2 Evolution of 2003 growth forecasts for B.C.

Sources: B.C. Ministry of Finance and various financial institutions.

The Ministry of Finance has updated its forecast of British Columbia economic growth to 1.4 per cent in 2002 and 2.7 per cent in 2003 (see Chart 1.3).

The updated forecast incorporates economic developments so far in 2002 including economic growth in the first half of the year in British Columbia, the U.S. and Canada, the continued momentum in consumer spending and residential investment, and developments in financial markets.

Chart 1.3 B.C. Economic Forecast

Sources: B.C. Ministry of Finance, historical data from Statistics Canada

International Economic Developments

The North American economies grew strongly during the January to March period of 2002. The U.S. economy expanded at a 5.0 per cent annualized rate, with growth supported by consumer spending, residential investment, and a large swing in inventories. The Canadian economy expanded at a 6.2 per cent annualized rate.

In the April to June period, economic growth in the U.S. slowed to a 1.1 per cent annualized rate. In May, corporate accounting problems caused



further deterioration in the equity market, sending equities down by one-third. In addition, revisions to the U.S. economic accounts showed the 2001 recession was deeper and longer than had been previously believed. The U.S. economy began to slow in early 2001 and continued to contract through the year. The terrorist attacks in September had a further impact on consumer and business confidence, trade and tourism. For the year, the U.S. economy grew just 0.3 per cent.

By August 2002, financial markets, which had been expecting the Federal Reserve Board to begin raising interest rates earlier this year based on the strong growth in the January to March period, were calling for lower interest rates to counter any impact of the recent stock market declines on consumer spending.

Meanwhile, the Canadian economy continued to outperform the U.S. economy in the April to June period, recording a 4.3 per cent annualized increase in real GDP.

Overseas, the Japanese economy began to show signs of a weak turnaround in industrial production at mid-year. In the April to June period, the Japanese economy grew following four consecutive quarters of declines. In Europe, Germany, France and the United Kingdom all posted positive growth in the January to March period and slightly slower growth in the April to June period.

British Columbia Economic Developments

Available data suggest that the British Columbia economy has also been recovering so far in 2002. Employment, manufacturing shipments, exports, retail sales, housing starts and non-residential building permits increased in the January to March period compared to the last three months of 2001 (see Table 1.1).

Like the Canadian and U.S. economies, the British Columbia economy continued to expand in the April to June quarter, although the pace may have slowed more recently.

Employment in the province continued on the upward trend set in the January to March period and recently surpassed last year's levels. New jobs created during 2002 were mainly on the service side of the economy as the goods sector job market continued to reflect the fallout from the U.S. softwood lumber duties put in place in August 2001.

Merchandise exports and manufacturing shipments turned up although the trade data for May and June may have been clouded by efforts to export duty-free lumber prior to the final duty order coming into effect. The final countervail ruling, effective May 22, 2002, appears to have contributed to a surge in manufacturing shipments and exports in May, which was reversed in June. In the April to June period, merchandise exports were up 3.1 per cent from the January to March period. Exports remain lower than in 2001, reflecting high energy prices early in 2001.

In the April to June period, retail sales and housing starts continued to grow, helped by low interest rates and federal and provincial tax cuts. Car and truck sales also continued to surge. Non-residential building permits increased in 2002 but remained well below last year's levels.

Table 1.1 British Columbia Economic Indicators

All data seasonally adjusted	First Quarter Jan. to Mar. 2002 change from Oct. to Dec. 2001	Second Quarter Apr. to Jun. 2002 change from Jan. to Mar. 2002	Year-to-Date Jan. to Jun. 2002 change from Jan. to Jun. 2001
Per cent change unless otherwise noted			
Employment.....	+0.9	+0.9	-0.6
Manufacturing Shipments.....	+3.1	+2.7	-4.8
Exports.....	+3.4	+3.1	-17.2
Retail Sales.....	+2.1	+2.1	+6.5
Housing Starts.....	+5.6	+5.3	+10.6
Non-Residential Building Permits.....	+15.9	+21.8	-28.0

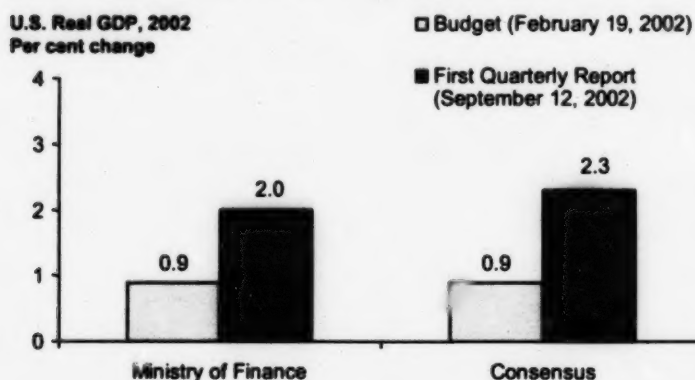
The Outlook for the External Environment

In the first three months of 2002, global growth estimates were being revised upward as the U.S. posted strong economic growth and other countries followed suit. It appeared that a U.S.-led global economic recovery was underway.

While much of the U. S. economic growth in the first three months of 2002 was due to rebuilding inventories, consumer spending also contributed. With the major change in inventories occurring early in the year, slower growth in the April to June period was expected. Economic indicators in the U.S. suggested the manufacturing sector was expanding at a pace consistent with annual growth in the 3 to 4 per cent range.

By mid-2002, the U.S. economic environment was not as certain. Corporate accounting issues sparked declines in stock markets, which spread to major markets around the world. A lack of job growth, and output growth of just 1.1 per cent in the April to June period, led to the possibility of a double-dip in the U.S. economy and further fuelled stock market jitters.

Despite these recent concerns, the outlook for the U.S. economy by mid-2002 was significantly more positive than at the beginning of the year (see Chart 1.4). The U.S. growth assumption used in the Ministry of Finance forecast is more conservative than the consensus, recognizing current risks to the outlook.

Chart 1.4 Expected U.S. economic growth in 2002

Sources: Budget 2002 and Consensus Economics Forecast (January and August 2002 issues).

North of the border, the Canadian economic environment was more positive. In the first half of 2002, it appears that the Canadian economy outperformed the U.S. in terms of job creation and economic growth.

The Canadian economy expanded at a 6.2 per cent annualized rate in the January to March period and 4.3 per cent in the April to June period. Canada did not undergo as large a correction of inventories as the U.S. economy. As a result, the slowdown in the April to June period was not as abrupt as in the U.S. In addition, residential investment in Canada has been strong so far this year as a result of pent-up demand for housing, federal tax cuts and low mortgage interest rates.

Outlook

Despite these recent developments, the U.S. economy will continue to recover but the pace of the recovery is expected to be halting and modest this year. The Ministry of Finance forecasts the U.S. economy to grow 2.0 per cent in 2002 and 3.0 per cent in 2003. Currently, the consensus forecast is for growth of 2.3 per cent in 2002 and 3.1 per cent in 2003.

The Ministry of Finance expects the Canadian economy to expand 3.0 per cent in 2002 and 3.2 per cent in 2003.

Table 1.2 September 2002 Economic Forecast: Key Assumptions*

	2002		2003	
	Feb. 19 Budget Forecast	September Forecast	Feb. 19 Budget Forecast	September Forecast
	Per cent change unless otherwise noted			
Canada Real GDP	1.0	3.0	3.3	3.2
US Real GDP	0.9	2.0	3.3	3.0
Japan Real GDP	-1.0	-0.5	0.9	1.0
Europe Real GDP	1.0	1.3	2.5	2.5
US Housing Starts.....	-4.4	2.4	1.3	-2.5
Canada 3-month Treasury Bill Rate	2.4	2.7	3.8	4.1
US cents / Canadian \$	63.5	64.6	64.5	66.5

* More details on the five-year outlook are available in Tables 1.5 through 1.9 at the end of Part One.

Financial Markets

In the first half of 2002, the Bank of Canada raised its key target overnight rate three times for a total of 75 basis points. The U.S. Federal Reserve Board has opted to keep interest rates unchanged so far this year. Last year's eleven rate cuts continue to provide monetary stimulus in the U.S. economy – long-term mortgage rates remain near 32-year lows. As a result, the spread between Canada and U.S. interest rates was positive and widening during the first eight months of 2002.

The positive interest rate spread combined with rising commodity prices earlier in the year, provided some support for the Canadian dollar. During the second quarter, the Canadian dollar averaged 64.3 cents US. But the unwinding of the U.S. equity bubble triggered a sale of Canadian-dollar denominated assets and the value of the dollar fell against the U.S. currency to below 63 cents US. More recently, the value of the Canadian dollar recovered to 64.1 cents US in early September.

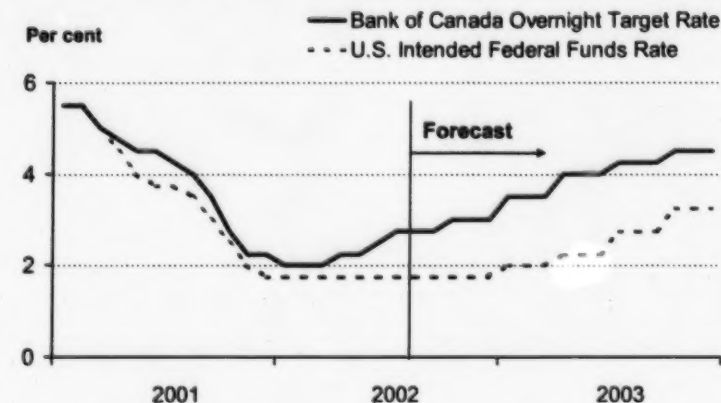
Outlook

The U.S. Federal Reserve Board is expected to keep the federal funds rate unchanged until late 2002. The forecast is for short-term interest rates to rise

gradually over the forecast period, reaching their pre-recession level in late 2004. The Bank of Canada also is expected to raise its overnight target interest rate during the next two years.

As a result of continued stronger economic performance, gradually rising commodity prices and a positive interest rate differential with the U.S., the value of the Canadian dollar is forecast to slowly appreciate against the U.S. dollar. The Canadian dollar is expected to average 64.6 cents US in 2002 and average 66.5 cents US in 2003.

Chart 1.5 Interest rates are forecast to rise

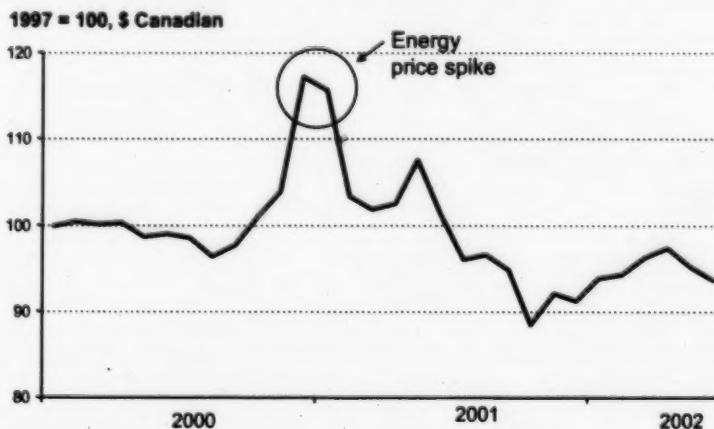


Sources: Bank of Canada and U.S. Federal Reserve Bank, B.C. Ministry of Finance forecast.

Commodity Markets

Although overall British Columbia export commodity prices were on an upward trend in the first five months of 2002, key commodity prices remained down compared to the same period in 2001. Energy prices returned to more normal levels following the price spikes in late 2000 and early 2001. Most forest product prices were down on a year-to-date basis.

Chart 1.6 B.C. export commodity price index



Source: B.C. Ministry of Finance

The final determination of the duty on softwood lumber exports to the U.S. market has reduced the value received by British Columbia lumber producers, depressing export and producer price measures.

Outlook

The average price of British Columbia goods and services exports is expected to be 2.9 per cent lower in 2002 than in 2001 as the impact of the energy price spike of early 2001 diminishes. Most non-energy commodity prices are forecast to increase this year as global demand for commodities picks up. In 2003, the average price of the province's goods and services exports is expected to increase 0.4 per cent.

British Columbia Economic Forecast

The British Columbia economy is expected to grow 1.4 per cent in 2002 and 2.7 per cent in 2003. Consumer spending and the housing sector are expected to be the main contributors to growth.

Table 1.3 September 2002 Economic Forecast: Key Indicators

	2002		2003	
	Feb. 19 Budget Forecast	September Forecast	Feb. 19 Budget Forecast	September Forecast
	Per cent change unless otherwise noted			
Real GDP	0.6	1.4	2.8	2.7
Nominal GDP	1.0	1.9	4.2	4.4
Employment	-0.2	0.7	1.8	1.9
Unemployment Rate	8.7	8.7	8.3	8.3
Net In-Migration ('000 persons).....	28.8	31.4	34.2	33.7
Personal Income	2.0	2.4	3.6	3.5
Corporate Pre-tax Profits	-7.5	-2.4	7.5	5.3
Housing Starts.....	5.6	16.0	8.5	3.3
Retail Sales.....	2.9	6.0	4.8	6.1

* More details on the five-year outlook are available in Tables 1.5 through 1.9 at the end of Part One.

External Trade

The United States is the province's largest trading partner. Last year's U.S. recession, which was exacerbated by the events of September 11, 2001, reduced demand for British Columbia exports. Tourism to the province was also affected, but has since started to recover.

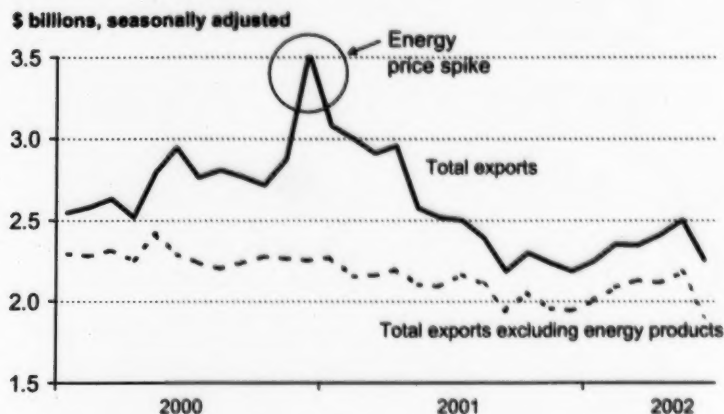
British Columbia origin international exports (in current dollars) were down 17.2 per cent year to date through June, largely the result of lower energy prices. Excluding energy products, provincial exports were down just 4.2 per cent (see Chart 1.7). The sharp decline in seasonally-adjusted exports in June was due to a drop in the value of forest product exports from May. The value of forest product exports was down 4.9 per cent in the January through June period compared to a year earlier, despite high volumes in April and May.

Outlook

Exports of wood products will continue to be hurt by the duties levied on softwood lumber exports to the U.S. In the remainder of 2002, the trade outlook is dependent on a continued pick up in industrial demand for

commodities in the U.S. and the rest of world. Real (inflation adjusted) exports are expected to grow just 0.1 per cent on average in 2002 then pick up to 2.4 per cent growth in 2003 as global growth improves.

Chart 1.7 B.C. merchandise exports



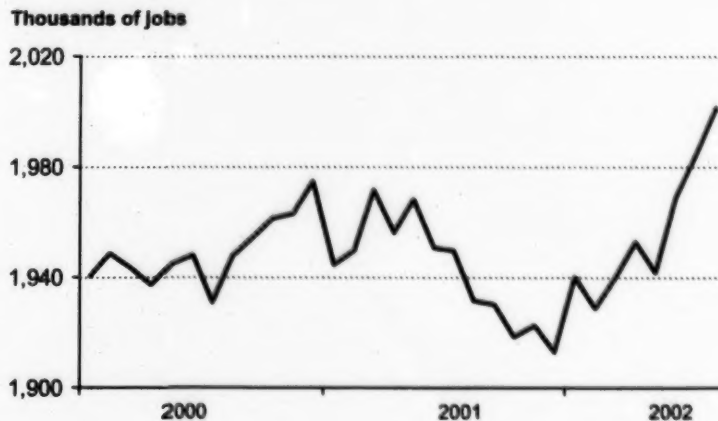
Source: Statistics Canada

The Labour Market

In the second quarter of 2002, employment was up 0.9 per cent from the first quarter. Most of the job growth was in the manufacturing and construction sectors.

Total employment was up 0.2 per cent year-to-date in August and has been climbing for most of 2002, adding just over 88,000 jobs since December 2001. About two-thirds of the employment growth since December has been in full-time jobs. Despite the employment gains, total wages and salaries were up just 0.5 per cent in the first six months of 2002 compared to the first six months of 2001. Chart 1.8 shows the recent growth in employment in British Columbia.

Chart 1.8 Jobs in B.C. rebounding



Source: Statistics Canada

The unemployment rate averaged 8.7 per cent in the first eight months of the year. It stood at 7.8 per cent in August.

Outlook

The North American recovery and gradual rising commodity prices should continue to support employment prospects in 2002. For the year, employment is projected to grow 0.7 per cent, with a decline in goods sector employment more than offset by an increase in the number of service sector jobs. In 2003, employment is forecast to increase by a further 38,000 jobs or 1.9 per cent. The unemployment rate is forecast to average 8.7 per cent in 2002 and decline to 8.3 per cent in 2003.

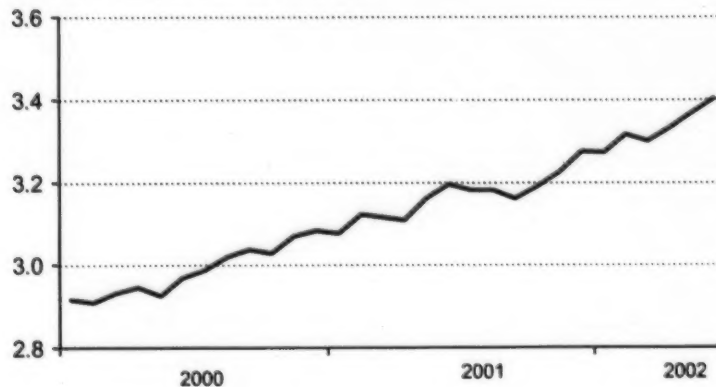
Domestic Demand

Consumer Spending and Housing

Retail sales have continued to climb through 2002 (see Chart 1.9). In June, the value of retail sales was \$3.4 billion, up 6.5 per cent from year-earlier levels. Demand for consumer durables, the strong housing market, federal and provincial tax cuts and low financing rates have helped support consumer spending to date. In particular, incentives offered by car dealers helped increase the sale of new cars and trucks dramatically in the first half of 2002 compared to the first half of 2001.

Chart 1.9 B.C. retail sales continue to climb

Billions of dollars; seasonally-adjusted



Source: Statistics Canada

Activity in the housing sector has been brisk so far in 2002. Existing home sales were up 35 per cent while house prices rose 8.3 per cent. Recent low mortgage interest rates, federal and provincial tax cuts and stock market volatility have unleashed pent-up demand and driven housing starts up. Year-to-date British Columbia housing starts were up 11.7 per cent. In July, housing starts totaled 20,600 units.

As Canada Mortgage and Housing Corporation (CMHC) has indicated, British Columbia's construction sector has recently bottomed and is now entering into a recovery phase.

Outlook

Consumer spending on goods and services is forecast to continue at its current pace for the remainder of the year, barring any drastic changes in consumer confidence. Housing starts are expected to total 20,000 units in 2002 and

20,660 units in 2003. CMHC expects housing starts in the province to total 18,800 units in 2002 and 21,000 units in 2003.

With pent-up demand fuelling housing construction, related consumer purchases should continue to expand. Real consumer spending on goods and services is forecast to increase 2.7 per cent in 2002 and rise to 4.2 per cent in 2003.

**Business and
Government
Activity**

The North American slowdown was accompanied by reductions in business investment, particularly in the high tech and manufacturing sectors. This year has been marked by corporate accounting scandals in the U.S. and profit warnings by several major corporations.

In British Columbia, corporate profits in 2001 were better than expected, as preliminary softwood lumber duty bonds were refunded. So far in 2002, the stronger-than-anticipated economic recovery is again positive for the corporate profit outlook.

Non-residential building permits grew strongly in both the first and second calendar quarters of 2002, on a quarter-over-quarter basis, as activity picked up from last year. However, non-residential permits were down 27.2 per cent in the first seven months of the year compared to the same period last year.

Outlook

Although the economic recovery will have a positive effect on business, corporate pre-tax profits are expected to decline 2.4 per cent in 2002 mainly reflecting the U.S. softwood lumber duties, before growing 5.3 per cent in 2003. Business investment will increase as confidence improves and new opportunities arise. Real business investment (non-residential and machinery and equipment) is expected to pick up 5.4 per cent in 2003 following modest growth of 1.6 per cent this year.

Current government expenditures for all levels of government (federal, provincial and local) are forecast to decline by 0.9 per cent in 2002 and 3.0 per cent in 2003, reflecting in part the provincial government's planned 2.0 per cent expenditure reduction in 2002/03 and 3.3 per cent expenditure reduction in 2003/04.

Inflation

Consumer price inflation averaged 2.1 per cent in the first seven months of 2002, reflecting modestly higher prices for most consumer goods.

Outlook

Inflation is expected to average 2.1 per cent in 2002 and 2.0 per cent in 2003.

**Medium-Term
Outlook**

Over the medium term, both the Canadian and U.S. economies are expected to grow 3.0 per cent per year. The Japanese economy is expected to grow at about half that pace.

British Columbia's population is forecast to grow 1.2 per cent per year on average as more people move to the province from the rest of Canada and international in-migration continues.

During the 2003 through 2006 period, the British Columbia economy is expected to grow 3.1 per cent per year, reflecting growth in the province's major trading partners.

Detailed tables of the five-year outlook are provided at the end of Part 1 (see Tables 1.5 through 1.9).

Risks to the Forecast

As with all forecasts, this economic outlook has risks on both the upside and downside. While the global outlook and consumer confidence has improved since the beginning of the year, recent stock market declines, concerns on global security and the slowing U.S. recovery are risks to consumer confidence and continued robust spending trends. The economic outlook for the province includes a cautious U.S. growth assumption for the current year. The most important risk to the British Columbia economic outlook remains the strength of the U.S. recovery. The Vancouver/Whistler bid for the 2010 Olympic Winter Games also poses opportunities related to possible investment in infrastructure. In addition, the implications of the proposed ratification of the Kyoto agreement on climate change are unclear, and may occur outside the forecast period.

The British Columbia economy could grow faster than forecast if:

- Canada and the U.S. return to the high-productivity fuelled growth recorded in the late 1990s, generating stronger demand for goods and services.
- A resolution of the softwood lumber dispute is reached; alongside growing U.S. demand, this would provide an opportunity for growth in British Columbia's forest industry.
- British Columbia business confidence and investment strengthen further; this would provide a base for stronger economic growth in the province.
- Interprovincial net in-migration to British Columbia turns around quickly; this would generate additional demand for goods and services and boost economic growth.

Alternatively, the British Columbia economy could grow slower than forecast if:

- The sluggish growth in the U.S. reflects a shift to a lower long-term productivity growth path, or potentially a double-dip recession.
- The Canadian economy's recent out-performance of the U.S. economy ends sooner than expected. Without a global recovery or strong productivity gains, the Canadian economy cannot indefinitely continue to grow faster than the U.S., its major trading partner.
- The global industrial pick up is weak and fails to generate demand for commodities, and key commodity prices fall, hurting British Columbia exports and the emerging oil and gas sector.
- Business and consumer confidence, recently weakened by the stock market declines and corporate accounting problems, does not recover. Weakening confidence could stall the economic recovery currently underway.

Table 1.4 Current Economic Statistics

		Latest Period	Year-to-Date Average		
			2001	2002	Change
BRITISH COLUMBIA					
LABOUR MARKET					
Employment (s.a. ¹ , thousands).....	August	2,001	1,953	1,957	0.2%
Unemployment rate (s.a., per cent).....	August	7.8	7.2	8.7	1.5
Total net in-migration (persons).....	Q1	7,867	8,149	7,867	-282
Interprovincial (persons).....	Q1	-2,415	-2,406	-2,415	-9
International (persons).....	Q1	10,282	10,555	10,282	-273
Wages, salaries and supplementary labour income (s.a. \$millions).....	June	5,188	5,153	5,177	0.5%
Average weekly wage rate.....	July	663.53	646.00	663.73	2.7%
CONSUMER SECTOR					
Retail sales (s.a., \$ million).....	June	3,401	3,129	3,331	6.5%
Car and truck sales (s.a., units).....	June	16,625	13,778	16,151	17.2%
Housing starts (all areas, s.a., annual rate).....	July	20,600	17,371	19,400	11.7%
Existing home sales (s.a.).....	July	6,171	5,455	7,105	30.2%
Building permits (s.a., \$ thousands).....	July	446	439	462	5.3%
B.C. consumer price index (annual per cent change).....	July	1.9	2.0	2.1	0.1
INDUSTRIAL ACTIVITY					
Foreign merchandise exports (s.a., \$ million).....	June	2,250	2,838	2,350	-17.2%
Manufacturing shipments (s.a., \$ million).....	June	2,781	2,953	2,811	-4.8%
Lumber production (thousand cubic metres).....	June	2,795	2,773	2,833	2.2%
Pulp and paper production (thousand tonnes).....	June	605	652	594	-8.9%
Coal production (thousand tonnes).....	May	2,379	2,295	2,246	-2.2%
Natural gas production (million cubic metres).....	March	2,425	2,133	2,466	15.6%
Copper production (million kg).....	May	22.5	22.1	20.8	-5.8%
TOURISM					
Entries of U.S. and overseas residents (thousands).....	June	901.1	645.5	581.5	-9.9%
BC ferry passengers to/from Vancouver Island (thousands).....	July	1,415	890	879	-1.3%
COMMODITY PRICES					
Lumber (U.S.\$/thousand board feet).....	August	226	255	255	0.0%
Pulp (U.S. \$/tonne).....	August	491	580	462	-20.4%
Newsprint (U.S.\$/tonne).....	August	448	613	466	-24.0%
Copper (U.S.\$/lb.).....	August	0.68	0.75	0.71	-4.9%
B.C. export commodity price index (Cdn. \$ Index: 1997 = 100).....	Q2	95.3	105.4	95.0	-9.8%
FINANCIAL DATA					
Canadian dollar (U.S. cents).....	August	63.8	65.2	63.7	-1.5
Canadian prime rate (per cent).....	August	4.50	6.60	4.05	-2.55
Canadian treasury bills (per cent).....	August	2.83	4.51	2.40	-2.11
Treasury bill spread - Canada minus U.S. (per cent).....	August	1.17	0.51	0.79	0.28

¹ s.a. - seasonally adjusted

Table 1.5 Gross Domestic Product: British Columbia and Canada

	2000	2001	Forecast				
			2002	2003	2004	2005	2006
BRITISH COLUMBIA:							
Gross Domestic Product							
at Market Prices:							
- Current Dollar (\$ million).....	127,564	130,396	132,820	138,710	146,000	152,700	159,790
(% change).....	5.8	2.2	1.9	4.4	5.3	4.6	4.6
- Real (1997 \$ million).....	124,464	125,534	127,350	130,830	135,020	139,300	143,890
(% change).....	3.9	0.9	1.4	2.7	3.2	3.2	3.3
- GDP Price Deflator (1997 = 100).....	102.5	103.9	104.3	106.0	108.1	109.6	111.0
(% change).....	1.8	1.3	0.4	1.7	2.0	1.4	1.3
Real GDP Per Person (1997 \$).....	30,665	30,649	30,814	31,337	31,979	32,594	33,252
(% change).....	3.1	-0.1	0.5	1.7	2.0	1.9	2.0
Real GDP Per Employed Person							
(% change).....	1.6	1.2	0.7	0.8	0.7	1.0	1.0
Unit Labour Cost ¹ (% change).....	1.8	1.2	0.8	1.0	1.3	1.8	1.7
CANADA:							
Gross Domestic Product							
at Market Prices:							
- Current Dollar (\$ billion).....	1,065	1,092	1,126	1,181	1,236	1,296	1,362
(% change).....	8.6	2.6	3.1	4.9	4.7	4.8	5.1
- Real (1997 \$ billion).....	1,012	1,028	1,058	1,092	1,126	1,159	1,194
(% change).....	4.5	1.5	3.0	3.2	3.1	3.0	3.0
- GDP Price Deflator (1997 = 100).....	105.2	106.3	106.4	108.1	109.8	111.8	114.1
(% change).....	3.9	1.0	0.1	1.6	1.6	1.8	2.0
Real GDP Per Person (1997 \$).....	32,900	33,059	33,759	34,577	35,362	36,132	36,960
(% change).....	3.6	0.5	2.1	2.4	2.3	2.2	2.3
Real GDP Per Employed Person							
(% change).....	1.9	0.4	0.9	1.0	1.3	1.3	1.4

¹ Unit labour cost is the nominal cost of labour incurred to produce one unit of real output.

Table 1.6 Components of British Columbia Real GDP at Market Prices

	2000	2001	Forecast				
			2002	2003	2004	2005	2006
Personal Expenditure on							
Goods and Services (1997 \$ billion).....	78.3	80.7	82.9	86.3	89.8	91.8	94.3
(% change).....	3.5	3.0	2.7	4.2	4.1	2.3	2.7
- Goods (1997 \$ billion).....	33.3	34.5	35.7	37.5	39.3	39.9	40.9
(% change).....	3.2	3.5	3.3	5.2	4.7	1.5	2.6
- Services (1997 \$ billion).....	45.0	46.2	47.2	48.8	50.5	52.0	53.4
(% change).....	3.8	2.7	2.2	3.3	3.6	2.9	2.8
Government Current Expenditures							
on Goods and Services (1997 \$ billion).....	24.1	24.7	24.5	23.8	22.9	23.4	24.0
(% change).....	2.6	2.6	-0.9	-3.0	-3.7	2.2	2.4
Investment in Fixed Capital (1997 \$ billion)....	24.5	25.5	26.2	27.0	28.2	29.7	31.2
(% change).....	5.1	4.0	3.1	3.1	4.5	5.0	5.2
Final Domestic Demand¹ (1997 \$ billion).....	126.9	130.9	133.6	137.1	140.9	144.9	149.5
(% change).....	3.7	3.1	2.1	2.6	2.8	2.8	3.2
Net Exports of Goods							
and Services (1997 \$ billion).....	-4.2	-5.0	-6.3	-6.9	-6.9	-6.6	-6.8
- Exports Goods & Services (1997 \$ billion)	58.6	54.9	54.9	56.3	58.4	60.6	62.6
(% change).....	7.0	-6.3	0.1	2.4	3.9	3.7	3.4
- Imports Goods & Services (1997 \$ billion)	62.7	59.8	61.3	63.1	65.3	67.2	69.4
(% change).....	8.0	-4.7	2.4	3.0	3.5	2.9	3.2
Inventory Change (1997 \$ billion).....	1.3	-0.5	0.0	0.5	0.9	1.0	1.1
Statistical Discrepancy (1997 \$ billion).....	0.4	0.1	0.1	0.1	0.1	0.1	0.1
Real GDP at Market Prices² (1997 \$ billion)...	124.5	125.5	127.4	130.8	135.0	139.3	143.9
(% change).....	3.9	0.9	1.4	2.7	3.2	3.2	3.3

¹ Final domestic demand is the sum of personal expenditures, government current expenditures and investment in fixed capital.

² Real GDP at market prices is the sum of final domestic demand, net exports, inventory changes and statistical discrepancy.

Table 1.7 Components of Nominal Income and Expenditure

	2000	2001	Forecast				
			2002	2003	2004	2005	2006
Labour Income ¹ (\$ million).....	67,828	69,211	70,770	73,400	76,770	80,600	84,710
(% change).....	5.7	2.0	2.3	3.7	4.6	5.0	5.1
Personal Income (\$ million).....	106,150	108,899	111,520	115,450	120,170	125,550	131,230
(% change).....	5.2	2.6	2.4	3.5	4.1	4.5	4.5
Corporate Profits Before Taxes (\$ million)...	10,287	10,411	10,160	10,700	11,590	12,030	12,190
(% change).....	12.7	1.2	-2.4	5.3	8.3	3.8	1.3
Retail Sales (\$ million).....	35,821	37,979	40,260	42,710	45,190	47,130	49,400
(% change).....	6.3	6.0	6.0	6.1	5.8	4.3	4.8
Housing Starts.....	14,418	17,234	20,000	20,660	21,480	22,350	23,240
(% change).....	-11.6	19.5	16.0	3.3	4.0	4.1	4.0
Residential Investment ² (\$ million).....	6,707	7,355	8,399	8,967	9,539	9,995	10,556
(% change).....	-1.1	9.7	14.2	6.8	6.4	4.8	5.6
B.C. Consumer Price Index (1992 = 100)....	113.3	115.2	117.6	119.9	122.5	124.9	127.2
(% change).....	1.8	1.7	2.1	2.0	2.1	2.0	1.9

¹ Domestic basis; wages, salaries and supplementary labour income.

² Includes renovations and improvements.

Table 1.8 Labour Market Indicators

	2000	2001	Forecast				
			2002	2003	2004	2005	2006
Population (on July 1) (000's).....	4,059	4,096	4,133	4,175	4,222	4,274	4,327
(% change).....	0.8	0.9	0.9	1.0	1.1	1.2	1.3
Labour Force Population, 15+ Years (000's)...	3,237	3,280	3,325	3,375	3,429	3,486	3,545
(% change).....	1.4	1.3	1.4	1.5	1.6	1.7	1.7
Net In-Migration							
- International ¹	31,845	32,179	34,300	31,700	32,600	33,800	34,800
- Interprovincial.....	-17,296	-8,991	-3,000	2,000	8,900	9,900	12,300
- Total ²	14,549	23,188	31,400	33,700	41,500	43,600	47,100
Participation Rate ³ (%).....	64.9	64.1	64.4	64.4	64.3	64.6	64.8
Labour Force (000's).....	2,100	2,103	2,142	2,173	2,205	2,251	2,297
(% change).....	1.0	0.2	1.8	1.5	1.4	2.1	2.0
Employment (000's).....	1,949	1,942	1,956	1,994	2,043	2,088	2,134
(% change).....	2.2	-0.3	0.7	1.9	2.5	2.2	2.2
- Goods Sector Employment (000's).....	403	380	378	383	389	395	401
(% change).....	4.7	-5.7	-0.7	1.4	1.6	1.5	1.6
- Service Sector Employment (000's).....	1,546	1,562	1,578	1,611	1,655	1,693	1,734
(% change).....	1.6	1.0	1.0	2.1	2.7	2.3	2.4
Unemployment Rate (%).....	7.2	7.7	8.7	8.3	7.3	7.3	7.1

¹ International migration includes net non-permanent residents and returning emigrants less net temporary abroad.

² Total may not add due to rounding.

³ Percentage of the population 15 years of age and over in the labour force.

Table 1.9 Major Economic Assumptions

	2000	2001	Forecast				
			2002	2003	2004	2005	2006
Real GDP (billions)							
Canada (1997 \$).....	1,012	1,028	1,058	1,092	1,126	1,159	1,194
(% change).....	4.5	1.5	3.0	3.2	3.1	3.0	3.0
U.S.A. (1996 U.S.\$; chain-weighted).....	9,191	9,215	9,403	9,682	9,979	10,275	10,587
(% change).....	3.8	0.3	2.0	3.0	3.1	3.0	3.0
Japan (1990 Yen).....	534,047	532,224	529,480	534,526	542,771	550,962	559,019
(% change).....	2.2	-0.3	-0.5	1.0	1.5	1.5	1.5
Europe ¹ (% change).....	3.6	1.6	1.3	2.5	2.5	2.5	2.5
Housing Starts² (000's)							
Canada.....	152	163	183	164	164	164	164
(% change).....	1.1	7.3	12.6	-10.3	0.0	0.0	0.0
U.S.A.....	1,573	1,603	1,641	1,600	1,600	1,600	1,600
(% change).....	-4.5	1.9	2.4	-2.5	0.0	0.0	0.0
Japan.....	1,230	1,174	1,154	1,164	1,175	1,180	1,186
(% change).....	1.3	-4.6	-1.7	0.9	0.9	0.5	0.5
Consumer Price Index							
Canada (1997=100).....	113.5	116.4	118.2	120.6	123.0	125.5	128.0
(% change).....	2.7	2.5	1.6	2.0	2.0	2.0	2.0
U.S.A. (1982-1984=100).....	172.2	177.1	179.9	184.2	188.8	193.5	198.4
(% change).....	3.4	2.8	1.6	2.4	2.5	2.5	2.5
Canadian Interest Rates (%)							
3-Month Treasury Bills.....	5.5	3.8	2.7	4.1	4.8	5.0	5.0
Long-Term Government Bonds (10 year).....	5.9	5.5	5.6	6.2	6.3	6.3	6.3
United States Interest Rates (%)							
3-Month Treasury Bills.....	5.8	3.4	1.7	2.6	4.1	4.8	4.8
Long-Term Government Bonds (10 year).....	6.0	5.0	5.1	5.6	5.9	6.0	6.0
Exchange Rate (U.S. cents / Canadian \$) ..	67.3	64.6	64.6	66.5	67.2	67.5	67.5
British Columbia Goods and Services							
Export Price Deflator (% change).....	4.0	2.5	-2.9	0.4	1.0	0.8	1.0

¹ European Union less Luxembourg, plus Austria, Finland, Iceland, Norway, Sweden, Switzerland, Turkey, and former Yugoslavia.² British Columbia housing starts appear in Table 1.7.